

VZCZCXRO3122
RR RUEHRC
DE RUEHBR #0103 0191644
ZNR UUUUU ZZH
R 191644Z JAN 07
FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC 7896
INFO RUEHRC/AMCONSUL RECIFE 6130
RUEHRI/AMCONSUL RIO DE JANEIRO 3727
RUEHRS/AMCONSUL SAO PAULO 9046

UNCLAS BRASILIA 000103

SIPDIS

SIPDIS

STATE PASS OPIC FOR B.MCGUIRE AND A.PATEL
STATE FOR EB/IFD/OIA

E.O. 12958: N/A

TAGS: EINV ECON BR

SUBJECT: BRAZIL: OPIC SUPPORT FOR INVESTMENT FUND

REF: 06 STATE 201751

¶1. Post supports OPIC's planned investment in Paladin Realty LP Fund, which will assist in the development of affordable and middle-income housing in Brazil (reftel). Recent changes to Brazilian legislation have encouraged substantial growth in the real estate and construction sector. These changes have brought new financing to the sector and have allowed significant recent issuances of mortgage-backed securities. This high growth comes from a relatively low base, however, so there is still need for additional capital. Moreover, given Brazil's modest domestic savings rate and its overall investment needs, there clearly is a useful role for external financing to play in supplementing domestic funding sources.

¶2. Paladin is not very well known in the Brazilian real estate and construction sector, although representatives of its local partner, Even Construtora, spoke very highly of them to us. An independent real estate industry group with whom we spoke had no knowledge of Paladin, but noted that Even Construtora is a well-regarded market leader in the Brazilian real estate and construction sector.

SOBEL